

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:

UT - 01 - 009

2. STATE:

UTAH

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

JANUARY 1, 2001

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN

☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN

☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 CFR 447.250

7. FEDERAL BUDGET IMPACT:

a. FFY 2001 \$ -0-
b. FFY 2002 \$ -0-

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

ATTACHMENT 4.19-A, PAGES 12, 13, 13a, 13b

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):

ATTACHMENT 4.19-A, PAGE ¹¹12, 12a

10. SUBJECT OF AMENDMENT:

DISPROPORTIONATE SHARE HOSPITALS

11. GOVERNOR'S REVIEW (Check One):

☒ GOVERNOR'S OFFICE REPORTED NO COMMENT

☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☐ OTHER, AS SPECIFIED:

12. SIGNATURE OF STATE AGENCY OFFICIAL:

Rod L. Betit

13. TYPED NAME:

ROD L. BETIT

14. TITLE:

EXECUTIVE DIRECTOR
DEPARTMENT OF HEALTH

15. DATE SUBMITTED:

MARCH 29, 2001

16. RETURN TO:

ROD L. BETIT, EXECUTIVE DIRECTOR
DEPARTMENT OF HEALTH
BOX 143102
SALT LAKE CITY, UT 84114-3102

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

April 4, 2001

18. DATE APPROVED:

08/24/01

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

01/01/01

20. SIGNATURE OF REGIONAL OFFICIAL:

Paul R. Long MD

21. TYPED NAME:

Paul R. Long, MD

22. TITLE:

Acting Associate Regional Administrator

23. REMARKS:

POSTMARK: March 30, 2001

INPATIENT HOSPITAL

Section 400 Adjustment for Disproportionate Share Hospitals

409 INTRODUCTION -- This section establishes criteria for identifying and paying disproportionate share hospitals (DSH). For the purpose of paying disproportionate share hospitals, there are five types of hospitals: First, private hospitals licensed as general acute hospitals located in urban counties; Second, general acute hospitals located in rural counties; Third, the State Psychiatric Hospital; Fourth, the State Teaching Hospital; and Fifth, Childrens' Hospitals.

410 DEFINITIONS- For purposes of this section, the following definitions apply:

- A. Medicaid Inpatient Utilization Rate (MIUR) is the percentage derived by dividing Medicaid hospital Inpatient days (including Medicaid managed care inpatient days) by total inpatient days.
- B. Low Income Utilization Rate (LIUR) is the percentage derived by dividing total Medicaid revenues (including Medicaid managed care revenues) plus UMAP revenues by total revenues and adding that percentage to the percentage derived from dividing total charges for charity care by total charges.
- C. Indigent patient days is the total of Medicaid patient days (including managed care days) plus UMAP patient days and other documented charity care days.
- D. UMAP is the Utah Medical Assistance plan operated for low income (indigent) recipients not eligible for Medicaid.

411 OBSTETRICAL SERVICES REQUIREMENT -- Hospitals offering non-emergency obstetrical services must have at least two obstetricians providing such services. For rural hospitals, an "obstetrician" is defined to include any physician with staff privileges who performs non-emergency obstetrical services at the hospital. This requirement does not apply to children's hospitals nor to hospitals which did not offer non-emergency obstetrical services as of December 22, 1987.

412 MINIMUM UTILIZATION RATE — All DSH hospitals must maintain a minimum of 1% Medicaid patient utilization rate.

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INPATIENT HOSPITAL
Section 400 Adjustment for Disproportionate Share Hospitals (Continued)

413 HOSPITALS DEEMED DISPROPORTIONATE SHARE -- A hospital is deemed a disproportionate share provider if, in addition to meeting the obstetrical (Section 411) and the minimum utilization rate requirements (Section 412), it meets at least one of the following five conditions:

- A. The hospital's MIUR is at least one standard deviation above the mean MIUR. The disproportionate share computed percentage is based on the number of percentage points that an individual hospital indigent patient days exceeds the statewide average plus one standard deviation.
- B. The hospital's LIUR rate exceeds 25 percent.
- C. The hospital's MIUR exceeds 14 percent.
- D. The hospitals UMAP participation is at least 10 percent of total hospital UMAP patient care charges.
- E. Hospitals located in rural counties qualify because they are sole community hospitals. A sole community hospital is defined as a hospital that is located more than 29 miles from another hospital.

414 PAYMENT ADJUSTMENT FOR GENERAL ACUTE URBAN (excluding State Teaching Hospital and Childrens' Hospital) -- General Acute Urban Hospitals (Paid by DRGs) and meeting the qualifying DSH criteria are paid a DSH amount on each inpatient claim. The DSH Factor is derived by dividing the indigent inpatient days by the total general acute days for each hospital and multiplying by a "ceiling factor". The "ceiling factor" is an artificial factor assigned to ensure that DSH payments do not exceed federal DSH limits. The resulting percentage (DSH Factor) is rounded to the nearest whole percent. The DSH payment amount is the product of the Medicaid DRG payment times the DSH factor.

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INPATIENT HOSPITAL
Section 400 Adjustment for Disproportionate Share Hospitals (Continued)

415 PAYMENT ADJUSTMENT FOR GENERAL ACUTE RURAL -- General Acute Rural Hospitals are paid a DSH payment amount on each inpatient claim. The hospital must qualify based on the criteria shown in section 413 above. The DSH factor is derived by dividing the indigent patient days by the total general acute days for each hospital and multiplying by a "ceiling factor". The "ceiling factor" is an artificial factor assigned to ensure that DSH payments do not exceed federal DSH limits. The resulting percentage (DSH factor) is rounded to the nearest whole percent. The DSH payment amount is the product of the Medicaid payment times the DSH factor.

416 PAYMENT ADJUSTMENT FOR STATE PSYCHIATRIC HOSPITAL -- The State Psychiatric Hospital is reimbursed on a retrospective annual cost settlement basis. Its DSH payment is calculated on the proportion of indigent patient days to total inpatient days. The indigent proportion is multiplied by a "ceiling factor". The "ceiling factor" is an artificial factor assigned to ensure that DSH payments do not exceed Federal DSH limits. The result is the DSH factor which in turn is applied to the cost settlement amount. The DSH payment will necessarily be adjusted to reflect Federal DSH limit amounts. The DSH is paid as an interim payment during the year, with a final computation being completed with the settlement of the annual cost report.

416A CAPITALIZATION OF ASSETS -- In establishing allowable cost, the Utah State Hospital is required to capitalize only those assets costing more than \$5,000.

417 PAYMENT ADJUSTMENT FOR STATE TEACHING HOSPITAL -- The hospital's DSH factor is the ratio of Indigent patient days to total patient days times a "ceiling factor". The "ceiling factor" is an artificial factor assigned to ensure that DSH payments do not exceed federal DSH limit amounts. The resulting DSH factor is rounded to the nearest whole percent. The DSH payment amount is the product of the Medicaid DRG payment times the DSH factor. The DSH payment amount will necessarily be adjusted to reflect federal DSH limits.

418 PAYMENT ADJUSTMENT FOR CHILDRENS' HOSPITAL -- The Childrens' hospital DSH factor will be computed as a separate category from other general acute hospitals. The DSH payment will necessarily be adjusted to reflect Federal DSH limit amounts. The hospital's DSH factor is the ratio of Indigent inpatient days to total inpatient days times a "ceiling factor". This DSH factor is rounded to the nearest whole percent. The DSH payment amount is the product of the Medicaid DRG payment times the DSH factor. The DSH payment for this category of hospitals will have a base year of 1999, i.e., DSH payments will not be less than the amount paid under a previous hospital category (General Acute Urban), subject to Federal DSH limit adjustment.

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INPATIENT HOSPITAL
Section 400 Adjustment for Disproportionate Share Hospitals (Continued)

421 METHOD AND TIMING OF DSH PAYMENTS -- Each claim for payment to qualified providers includes a percentage add-on at the level specified for that facility. Each quarter the total amount of DSH to all qualified facilities is calculated. The amount, along with any preceding quarters for the current fiscal year, is used to predict the total amount that will be paid. If this exceeds the current DSH allotment, the payment level will be adjusted in order to correct for any potential overpayment. This adjustment will be applied to all hospitals proportionally, except for Childrens' hospital which will not be adjusted below the base year (see section 418).

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